



Venezuela's Plummeting Bolívar Dips into Hyperinflation

Black-Market Exchange Reveals Currency's Perilous Fall in November

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The value of the Venezuelan bolívar has plummeted in the past month, depreciating from [102.56 to 159.02](#) per US dollar on the black-market exchange. November's decline indicates that Venezuela now flirts with [hyperinflation](#).

The rule of thumb among economists is that hyperinflation occurs when inflation — the declining purchasing power of a currency as measured by a rise in the price level — [exceeds 50 percent](#) on a monthly basis. [As deduced](#) from the black-market exchange rate and the US Consumer Price Index, Venezuela's inflation for November reached 55.27 percent.* Even the highest denomination of the bolívar, the 100 Bs. note, is now worth a mere 62.9 US cents.

If Venezuela were to continue November's free-fall trajectory for the bolívar, its annual compounded inflation would reach 19,633 percent.

While [DolarToday](#) is the most commonly referenced website for the bolívar's informal exchange rates, [Aguacate Verde](#) and [Lechuga Verde](#) both uphold the trend (at 146 Bs. per US dollar). Of the three, DolarToday is the only one that offers a publicly available data record ([Excel](#)), enabling comparisons between past and present exchange rates.

The Bolívar's Disappearing Act

In a country with three fixed official exchange rates — all with rationed supplies of foreign currencies — the informal rate has become the most accurate gauge of the bolívar's underlying purchasing power.

“The black market rate is a very good indicator of what the exchange rate should be,” says Boris Ackerman, an economist and professor at Simon Bolívar University. “Public expectations and speculation continue to drive the rate up despite strict financial controls enacted by the government.”

In an economy defined by crisis, Venezuelans are scrambling from the bolívar to take refuge in the US dollar, which offers a relatively more stable alternative and store of value. In response,

President Nicolás Maduro has worked to steadily [decrease the availability](#) of US dollars within the country, even going so far as to outlaw transactions in greenbacks.

This year, the *Chavista* regime also introduced the third [SICAD II](#) rate, in an attempt to curb the thriving black market. However, the measure [has since backfired](#), and the black-market exchange rate has more than doubled since SICAD II's introduction in March.

Venezuela's financial woes have come under immense criticism, including from prominent outlets such as the [Economist](#), which described it as “probably the world's worst-managed economy.”

“The path forward is clear,” says Ackerman. “The government needs to remove price controls and increase gas prices if it wants to reverse this trend... They need to generally liberalize the economy, but I don't see that happening anytime soon. It would be crazy to expect a complete change in behavior when all that has been demonstrated is the complete opposite.”

No End in Sight for Inflationary Pressure

Despite [fracturing](#) within the [United Socialist Party of Venezuela](#), those at the helm of the regime have remained committed to the “Bolivarian Revolution” of *Chavismo*. In fact, in a sign of loyalty to 21st-century socialism, President Maduro this year appointed [Orlando Borrego](#) — a Moscow-educated battle comrade of Che Guevara in the Cuban Revolution — to his team of economic advisers.

In November, Maduro signed [45 laws and reforms](#) to compensate for plummeting state oil revenue. That includes new taxes as Venezuela, endowed with the world's largest crude oil reserves, now risks [default](#) and has had to resort to [importing light crude](#) from Algeria.

“I don't think that Venezuela has crossed that threshold into hyperinflation, but it's certainly open for debate,” said Ackerman. “It's tough to nail down a definition for hyperinflation, but if the government doesn't act now we'll certainly be there soon.”

Venezuela suffers from the world's highest inflation rate, and is the first country to suffer the signs of hyperinflation since [Iran in 2012](#). Venezuela's inflation is being monitored via the Cato Institute's [Troubled Currencies Project](#), which seeks to estimate inflation rates in countries undergoing extreme economic hardship.